

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 AID-20 OMB-01 PC-10 EUR-25

SIL-01 LAB-06 EB-11 COME-00 NIC-01 DRC-01 /156 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 6909

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C O N F I D E N T I A L BUENOS AIRES 4426

E.O. 11652: GDS

TAGS: PINT, ECON, ELAB, AR

SUBJ: POSSIBLE IMPLICATIONS OF EVENTS OF JUNE 12

REF: A. BA 4362, B. BA 4374, C. BA 4422

1. SUMMARY. CLEARLY, EVENTS OF JUNE 12 WERE ORCHESTRATED, BUT OBJECTIVES ARE NOT YET CLEAR. THAT THEY REPRESENTED SOMETHING OF A CIRCUS IS OBVIOUS. CENTRAL QUESTION, HOWEVER, IS WHETHER CIRCUS WAS PRINCIPALLY TO PROVIDE SOUND AND FURY TO COVER UP PAUCITY OF SOLUTIONS AND CHANGES, OR WHETHER IT WAS IN FACT DESIGNED TO PROVIDE POSITION FROM WHICH SIGNIFICANT READJUSTMENT IN GOVT ECONOMIC POLICIES CAN BE MADE. THERE ARE NOW SOME GROUNDS TO HOPE LATTER MAY BE THE CASE. CERTAINLY SOME READJUSTMENTS WILL BE MADE, BUT HOW SWEEPING THEY WILL BE REMAINS TO BE SEEN. END SUMMARY

2. OBVIOUS ORCHESTRATION OF EVENTS JUNE 12 LED SOME OBSERVERS (E.G. ESCRIBANO IN LA NACION) TO CONCLUSION THAT PERON DID INTEND TO MAKE CABINET CHANGES. HE MAY STILL DO SO FURTHER ALONG ROAD, BUT FOR MOMENT CHANGES WILL APPARENTLY BE RESTRICTED TO LOWER LEVEL OFFICIALS, WHO WILL DOUBTLESS BE ACCUSED OF SABOTAGING ECONOMIC PROGRAMS.

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3. IT NOW SEEMS CLEAR THAT ONGOING POWER STRUGGLE WITH LOPEZ REGA,

GELBARD, VIGNES, LASTIRI AND ALLENDE AT VORTEX, HAD LITTLE TO DO WITH EVENTS OF JUNE 12--THOUGH POSITIONS OF SEVERAL OF THE PLAYERS COULD BE AFFECTED. MANY BELIEVE THAT LABOR MINISTER OTERO IS AMONG CANDIDATES FOR DISMISSAL. REASONING IS THAT HE HAS NOT CONTROLLED LABOR AND MAY HAVE TO STAND THE GAFFE. SINCE HE IS IDENTIFIED WITH LOPEZ REGA, LATTER'S POSITION WILL BE WEAKENED IF HE GOES. GELBARD'S POSITION, DESPITE PERON'S EXPRESSIONS OF CONFIDENCE AND RELUCTANCE TO SACK HIM NOW (WHICH WOULD BE OVERT ADMISSION OF FAILURE OF GOVERNMENTAL POLICIES), IS ALSO VERY MUCH IN PLAY. NONETHELESS, SINCE PROBLEM BASICALLY REVOLVES AROUND ECONOMIC POLICY AND WHAT TO DO ABOUT IT. LLAMBI'S POSITION AND VIGNES-GELBARD STRUGGLE SEEM EXTRANEIOUS IN THIS CONTEXT.

4. OUR ORIGINAL IMPRESSION (SEE REF A) WAS THAT SPEECH, DEMONSTRATIONS AND RESIGNATIONS WERE DESIGNED TO GIVE IMPRESSION OF MOVEMENT AND SOLUTIONS TO COVER FACT GOVERNMENT UNCERTAIN AS TO HOW TO DEAL WITH WHAT SEEMS TO BE RAPID DISINTEGRATION OF SOCIAL PACT. DOUBTLESS THIS IS AN ELEMENT IN PERON'S SCHEME. CIRCUS DISPLAY WILL SATISFY MOMENTARILY MANY OF RANK AND FILE WHO WERE GROWING RESTIVE OVER SHORTAGES AND UNCERTAINTIES SURROUNDING WAGE-PRICE FREEZE. HOPEFULLY, HOWEVER, OUR ORIGINAL IMPRESSION WAS PREMATURE AND THERE IS MORE TO IT THAN THAT. GOVERNMENT MAY HAVE MORE CONCRETE STEPS IN MIND. PERON DID SPEAK OF CHANGES AND ECONOMIC TEAM'S STATEMENT JUNE 13 SPOKE OF "DRASTIC ADJUSTMENTS" (REF C).

5. ONE VERSION IS THAT PERON ENGINEERED SHOW OF STRENGTH AND RESIGNATIONS IN ORDER TO CONFRONT GELBARD AND TEAM WITH NEED FOR SIGNIFICANT CHANGES, WHICH THEY WERE THEN IN POSITION EITHER TO ACCEPT OR SEE RESIGNATIONS ACCEPTED. THIS STRIKES EMBASSY AS SOMEWHAT IMPLAUSIBLE, HOWEVER, SINCE PERON COULD HAVE ACCOMPLISHED SAME THING WITHOUT EVER GIVING SPEECH.

6. MORE REASONABLE VIEW (VOICED PRIVATELY BY PROMINENT PERONIST) SEEMS TO BE THAT TACTIC WAS DESIGNED TO PROVIDE ATMOSPHERE IN WHICH SIGNIFICANT ADJUSTMENTS IN ECONOMIC POLICIES COULD BE IMPLEMENTED. THERE WAS NEED FOR SHOCK TREATMENT TO HALT PRESSURE AMONG DISSATISFIED WORKERS WHO WERE PRESSING UNION LEADERSHIP FOR WAGE INCREASES WHICH WOULD HAVE RIPPED SOCIAL PACT TO SHREDS. FURTHER, FOCUS AND MOST BLAME HAVE BEEN PLACED ON "ENEMIES" AND PERON HAS GIVEN IMPRESSION OF MOVING

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ENERGETICALLY AGAINST THEM. POLICY CHANGES CAN NOW BE MADE BEHIND THIS SMOKE SCREEN. CLEARLY, WORKER-MANAGEMENT ACCORD IMPLIED BY SOCIAL PACT IS BASIC TO PERON'S PHILOSOPHY AND WILL NOT BE ABANDONED. WITHIN SOCIAL PACT UMBRELLA HOWEVER, WIDE-RANGING ADJUSTMENTS ARE POSSIBLE. HOW WIDE-RANGING IS STILL VERY MUCH OPEN TO QUESTION.

7. DISTURBING SPINOFF OF JUNE 12 MANEUVERING WAS EMPHASIS PLACED

ON "ENEMY OF PEOPLE" THEME AND REVERSION TO REFERENCE TO "OLIGARCHY" IN THIS CONTEXT. THIS SMACKS SOMEWHAT OF PERON'S EARLIER TACTICS. FURTHER, THERE IS DANGER THAT RIGHT-WING LABOR TYPES WILL USE IT AS PRETEXT TO GO TO EXTREMES. CGT ATTACK AGAINST CLARIN IS ONE SUCH DISTURBING SIGN.

8. IN SUM, AS ONE WELL-PLACED NEW SOURCE PUT IT, "CHANGES AND CONSEQUENCES FLOWING FROM PERON'S JUNE 12 DEMONSTRATION OF STRENGTH WILL NOT BE CLEAR FOR SEVERAL DAY YET, IF THEN. THAT CHANGES ARE COMING, HOWEVER, IS NOT TO BE DOUBTED." OUR ONLY CAVEAT WOULD BE AS TO NATURE AND MAGNITUDE OF CHANGES.
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